

Bell Atlantic  
New Jersey Bell

Exhibit 2

CALCULATION OF IBNR RESERVE  
AS OF 6/30/93

Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Case Outstanding	(6) IBNR Reserve (4) x (5) / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	887,330	0	887,330
1973	100.00%	0.00%	100.00%	0.00%	20,831	0	20,831
1974	100.00%	0.00%	100.00%	0.00%	104,143	0	104,143
1975	99.83%	0.17%	100.00%	0.00%	30,235	0	30,235
1976	99.23%	0.77%	100.00%	0.00%	0	0	0
1977	98.34%	1.66%	100.00%	0.00%	788,344	0	788,344
1978	97.21%	2.78%	100.00%	0.00%	0	0	0
1979	95.90%	4.10%	100.00%	0.00%	0	0	0
1980	94.46%	5.45%	99.91%	0.09%	55,580	918	56,478
1981	92.85%	6.48%	99.44%	0.66%	73,860	6,381	80,331
1982	91.43%	7.23%	98.66%	1.34%	781,558	144,853	926,409
1983	89.95%	7.74%	97.69%	2.31%	1,098,893	327,805	1,426,698
1984	88.57%	8.05%	96.62%	3.38%	844,887	354,748	1,199,635
1985	87.34%	8.24%	95.58%	4.42%	458,233	244,727	700,960
1986	85.94%	8.77%	94.71%	5.29%	1,489,421	886,344	2,355,765
1987	83.89%	9.93%	93.82%	6.18%	231,845	144,362	376,207
1988	81.14%	11.61%	92.75%	7.25%	844,438	527,319	1,371,757
1989	77.23%	14.06%	91.28%	8.72%	1,172,064	727,424	1,899,478
1990	70.73%	18.00%	88.73%	11.27%	886,865	642,754	1,409,619
1991	60.47%	22.69%	83.16%	16.84%	1,235,573	917,014	2,152,587
1992	38.35%	33.78%	72.11%	27.89%	3,823,467	3,158,854	6,982,131
1993	7.44%	16.84%	24.08%	75.92%	659,755	2,255,255	3,215,010
Total					15,523,880	10,239,657	25,763,537

Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for New Jersey.  
 (5) Provided by Bell Atlantic.  
 (6) 1993 IBNR is for 1/2 of the accident period. From Exhibit 4, Item (5g).

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It should not be distributed outside the company without prior approval.

Exhibit 20-2-A

Bell Atlantic  
New Jersey Bell

Exhibit 3

CALCULATION OF IBNR RESERVE  
AS OF 12/31/93

Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Estimated Case Outstanding	(6) IBNR Reserve (4) x (5) / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	687,330	0	687,330
1973	100.00%	0.00%	100.00%	0.00%	20,831	0	20,831
1974	100.00%	0.00%	100.00%	0.00%	104,143	0	104,143
1976	100.00%	0.00%	100.00%	0.00%	0	0	0
1976	89.67%	0.43%	100.00%	0.00%	0	0	0
1977	88.82%	1.18%	100.00%	0.00%	644,751	0	544,751
1978	87.80%	2.20%	100.00%	0.00%	0	0	0
1978	88.68%	3.42%	100.00%	0.00%	0	0	0
1980	85.19%	4.81%	100.00%	0.00%	49,036	0	49,036
1981	83.71%	6.01%	89.72%	0.28%	88,481	3,190	71,671
1982	82.19%	8.89%	88.08%	0.82%	744,802	99,451	844,253
1983	80.68%	7.51%	88.19%	1.81%	1,066,046	258,930	1,322,874
1984	88.24%	7.82%	97.16%	2.84%	831,243	288,072	1,129,315
1985	87.93%	8.15%	98.08%	3.81%	451,804	216,488	668,283
1986	86.80%	8.30%	86.10%	4.80%	1,380,872	820,898	2,211,671
1987	86.00%	9.30%	84.30%	6.70%	217,228	133,141	350,370
1988	82.80%	10.70%	83.30%	8.70%	778,260	487,316	1,265,566
1988	78.40%	12.70%	82.10%	7.80%	1,058,437	658,020	1,718,456
1990	74.40%	15.80%	80.20%	9.80%	760,916	471,860	1,232,875
1991	88.20%	20.30%	88.50%	13.50%	1,106,427	735,138	1,840,563
1992	61.60%	27.10%	78.70%	21.30%	3,089,183	2,412,318	5,481,511
1993	23.80%	34.30%	68.10%	41.80%	2,382,776	2,910,737	5,283,513
Total					15,352,183	9,604,768	24,836,821

Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for New Jersey.
- (5) If Column (2) > 0%, then (2) x Exhibit (2), Column (5) / Exhibit (2), Column (2).  
If Column (2) = 0%, then 6/30/93 Case Reserve.  
1993 = Exhibit 4, Item (5j).
- (6) 1993 = Exhibit 4, Item (5k).

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Exhibit 20-2-A

Bell Atlantic  
New Jersey Bell

Exhibit 4

### CALCULATION OF 1993 ACCIDENT YEAR EXPERIENCE

(1) Accident Year	(2) Payroll (00's)	(3) Outstanding @ 6/30/93	(4) Expected % Outstanding	(5) Implied Ultimate (3)/(4)
1988	7,322,000	844,438	11.61%	7,273,368
1989	7,695,000	1,172,054	14.05%	8,342,021
1990	7,137,000	868,865	18.00%	4,815,917
1991	7,063,000	1,215,573	22.69%	5,445,452
1992	7,113,000	3,823,467	33.76%	11,325,435
<b>Total</b>	<b>36,330,000</b>	<b>7,942,397</b>		<b>37,202,193</b>
(a) 5 Yr Avg	7,266,000	1,588,479		7,440,439
(b) 1993 Payroll				6,784,000
(c) 1993 Estimated Ultimate				6,946,867
<b>Estimated Reserve @ 6/30/93</b>				
(d) % Paid @ 6/30/93				7.44%
(e) Estimated Paid @ 6/30/93				258,423
(f) Case Outstanding @ 6/30/93				959,755
(g) IBNR @ 6/30/93				2,255,255
<b>(h) Total Reserve @ 6/30/93</b>				<b>3,215,010</b>
<b>Estimated Reserve @ 12/31/93</b>				
(i) % Paid @ 12/31/93				23.80%
(j) % Case Outstanding @ 12/31/93				34.30%
(k) Case Outstanding @ 12/31/93				2,382,775
(l) IBNR @ 12/31/93				2,910,737
<b>(m) Total Reserve @ 12/31/93</b>				<b>5,293,513</b>

**Notes:**

(2), (3), (5b), (5f) Provided by Bell Atlantic.  
 (4), (5d), (5i), (5j) Based upon a Tillinghast study of National Council on  
 Compensation Insurance data for New Jersey.  
 (5c)  $(5a) \times (5b) / (2a)$   
 (5e)  $(5c) \times (5d) \times 1/2$

(5g)  $(5c) \times 1/2 - (5e) - (5i)$   
 (5h)  $(5f) + (5g)$   
 (5k)  $(5j) \times (5c)$   
 (5l)  $(5c) - (5i) \times (5c) - (5k)$   
 (5m)  $(5j) + (5k)$

Bell Atlantic  
C&P of Washington, D.C.

Exhibit 1

CALCULATION OF IBNR RESERVE  
AS OF 12/31/92

Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Estimated Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	606,796	0	606,796
1973	100.00%	0.00%	100.00%	0.00%	81,361	0	81,361
1974	99.93%	0.07%	100.00%	0.00%	116,158	0	116,158
1975	99.41%	0.59%	100.00%	0.00%	101,762	0	101,762
1976	88.59%	1.41%	100.00%	0.00%	231,786	0	231,786
1977	87.52%	2.48%	100.00%	0.00%	512,031	0	512,031
1978	96.24%	3.76%	100.00%	0.00%	581,576	0	581,576
1979	84.83%	6.17%	100.00%	0.00%	124,808	0	124,808
1980	93.33%	6.67%	100.00%	0.00%	87,053	0	87,053
1981	91.81%	7.89%	99.70%	0.30%	0	0	0
1982	90.41%	8.36%	98.77%	1.23%	0	0	0
1983	88.58%	10.72%	97.31%	2.69%	0	0	0
1984	82.97%	12.74%	95.71%	4.29%	21,900	7,375	29,275
1985	79.84%	14.50%	94.34%	5.66%	244,228	85,333	339,561
1986	78.76%	17.08%	93.83%	6.17%	0	0	0
1987	72.83%	21.10%	93.73%	6.27%	0	0	0
1988	67.73%	25.48%	93.21%	6.79%	116,332	31,000	147,332
1989	60.21%	30.30%	90.51%	9.49%	0	0	0
1990	49.47%	37.49%	86.98%	13.04%	11,614	4,040	16,653
1991	36.34%	48.00%	84.34%	15.66%	57,091	18,828	76,717
1992	17.57%	44.82%	62.39%	37.61%	19,113	16,038	36,151
Total					2,813,809	172,412	3,086,021

Notes:

- (1), (2) Based upon a Tillinghaast study of National Council on Compensation Insurance data for District of Columbia.  
 (5) If Column (2) > 0%, then (2) x Exhibit (2), Column (5) / Exhibit (2), Column (2).  
 If Column (2) = 0%, then 8/30/93 Case Reserve.

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Bell Atlantic  
CAP of Washington, D.C.

Exhibit 2

CALCULATION OF IBNR RESERVE  
AS OF 6/30/83

Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	808,788	0	808,788
1973	100.00%	0.00%	100.00%	0.00%	81,381	0	81,381
1974	99.97%	0.04%	100.00%	0.00%	58,078	0	58,078
1975	99.87%	0.33%	100.00%	0.00%	58,918	0	58,918
1976	98.00%	1.00%	100.00%	0.00%	164,387	0	164,387
1977	98.08%	1.95%	100.00%	0.00%	401,573	0	401,573
1978	88.88%	3.12%	100.00%	0.00%	482,584	0	482,584
1979	85.54%	4.47%	100.00%	0.00%	107,789	0	107,789
1980	84.08%	5.92%	100.00%	0.00%	77,284	0	77,284
1981	82.57%	7.28%	99.85%	0.15%	0	0	0
1982	81.11%	8.12%	99.24%	0.77%	0	0	0
1983	88.50%	9.54%	98.04%	1.96%	0	0	0
1984	84.78%	11.73%	96.51%	3.49%	20,184	5,899	26,163
1985	81.41%	13.82%	95.03%	4.98%	229,408	83,788	313,202
1986	78.30%	15.79%	94.08%	5.92%	0	0	0
1987	74.89%	19.09%	93.78%	6.22%	0	0	0
1988	70.18%	23.29%	93.47%	6.53%	108,333	29,813	138,146
1989	63.87%	27.89%	91.86%	8.14%	0	0	0
1990	54.84%	33.80%	88.74%	11.27%	10,500	3,490	13,990
1991	42.81%	42.75%	85.05%	14.35%	50,841	17,008	67,909
1992	28.90%	48.41%	73.37%	26.64%	19,781	11,358	31,149
1993	5.77%	23.58%	29.35%	70.65%	12,000	53,819	65,819
Total					2,485,788	206,143	2,690,929

Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for District of Columbia.  
(5) Provided by Bell Atlantic.  
(6) 1993 IBNR is for 1/2 of the accident period. From Exhibit 4, Item (5g).

Exhibit 3

Ball Atlantic  
CAP of Washington, D.C.

CALCULATION OF IBNR RESERVE  
AS OF 12/31/93

Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Estimated Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	608,796	0	608,796
1973	100.00%	0.00%	100.00%	0.00%	81,361	0	81,361
1974	100.00%	0.00%	100.00%	0.00%	0	0	0
1975	99.83%	0.07%	100.00%	0.00%	12,074	0	12,074
1976	99.41%	0.59%	100.00%	0.00%	98,988	0	98,988
1977	98.68%	1.41%	100.00%	0.00%	291,115	0	291,115
1978	97.52%	2.48%	100.00%	0.00%	383,592	0	383,592
1979	96.24%	3.76%	100.00%	0.00%	90,770	0	90,770
1980	94.83%	5.17%	100.00%	0.00%	67,476	0	67,476
1981	93.33%	6.67%	100.00%	0.00%	0	0	0
1982	91.81%	7.89%	99.70%	0.30%	0	0	0
1983	90.41%	8.36%	98.77%	1.23%	0	0	0
1984	88.58%	10.72%	97.31%	2.69%	18,428	4,624	23,052
1985	82.97%	12.74%	95.71%	4.28%	214,594	72,258	286,842
1986	79.84%	14.50%	94.34%	5.66%	0	0	0
1987	78.76%	17.08%	93.83%	6.17%	0	0	0
1988	72.63%	21.10%	93.73%	6.27%	98,334	28,628	124,961
1989	67.73%	25.48%	93.21%	6.78%	0	0	0
1990	60.21%	30.30%	90.51%	9.49%	8,388	2,940	12,328
1991	49.47%	37.48%	86.96%	13.04%	44,591	16,510	60,100
1992	36.34%	48.00%	84.34%	15.66%	29,469	8,678	27,147
1993	17.67%	44.82%	62.39%	37.61%	62,419	52,378	114,797
Total					2,088,392	183,014	2,279,396

Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for District of Columbia.
- (5) If Column (2) > 0%, then (2) x Exhibit (2), Column (5) / Exhibit (2), Column (2).  
If Column (2) = 0%, then 6/30/93 Case Reserve.
- 1993 = Exhibit 4, Item (5j).
- (6) 1993 = Exhibit 4, Item (5k).

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Exhibit 20-2-A

Bell Atlantic  
C&P of Washington, D.C.

Exhibit 4

# CALCULATION OF 1993 ACCIDENT YEAR EXPERIENCE

(1) Accident Year	(2) Payroll (00's)	(3) Outstanding @ 6/30/93	(4) Expected % Outstanding	(5) Implied Ultimate (3)/(4)
1988	1,327,000	106,333	23.29%	456,561
1989	1,353,000	0	27.89%	0
1990	1,327,000	10,500	33.90%	30,978
1991	1,320,000	50,841	42.75%	118,940
1992	1,273,000	19,791	46.41%	42,644
Total	6,800,000	187,465		649,123
(a) 5 Yr Avg	1,320,000	37,493		129,825
(b) 1993 Payroll				1,416,000
(c) 1993 Estimated Ultimate				139,268
Estimated Reserve @ 6/30/93				
(d) % Paid @ 6/30/93				5.77%
(e) Estimated Paid @ 6/30/93				4,014
(f) Case Outstanding @ 6/30/93				12,000
(g) IBNR @ 6/30/93				53,619
(h) Total Reserve @ 6/30/93				66,619
Estimated Reserve @ 12/31/93				
(i) % Paid @ 12/31/93				17.57%
(j) % Case Outstanding @ 12/31/93				44.82%
(k) Case Outstanding @ 12/31/93				62,419
(l) IBNR @ 12/31/93				52,378
(m) Total Reserve @ 12/31/93				114,797

## Notes:

(2), (3), (5b), (5f)	Provided by Bell Atlantic.	(5j)	$(5c) \times 1/2 - (5e) - (5f)$
(4), (5d), (5i), (5j)	Based upon a Tillinghast study of National Council on Compensation Insurance data for District of Columbia	(5a)	$(5f) + (5g)$
(5c)	$(5a) \times (5b) / (2a)$	(5k)	$(5j) \times (5c)$
(5e)	$(5c) \times (5d) \times 1/2$	(5l)	$(5c) - (5i) \times (5c) - (5k)$
		(5m)	$(5j) + (5k)$

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Exhibit 20-2-A

Ball Atlantic  
C&P of Virginia

Exhibit 1

CALCULATION OF IBNR RESERVE  
AS OF 12/31/92

Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Estimated Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	48,512	0	48,512
1973	100.00%	0.00%	100.00%	0.00%	0	0	0
1974	100.00%	0.00%	100.00%	0.00%	42,880	0	42,880
1976	100.00%	0.00%	100.00%	0.00%	0	0	0
1978	100.00%	0.00%	100.00%	0.00%	20,000	0	20,000
1977	100.00%	0.00%	100.00%	0.00%	30,000	0	30,000
1978	100.00%	0.00%	100.00%	0.00%	0	0	0
1979	100.00%	0.00%	100.00%	0.00%	5,000	0	5,000
1980	98.83%	0.17%	100.00%	0.00%	47,210	0	47,210
1981	98.28%	0.83%	99.88%	0.11%	0	0	0
1982	98.22%	1.28%	99.61%	0.49%	20,156	7,858	27,813
1983	95.87%	2.73%	98.80%	1.40%	0	0	0
1984	92.17%	6.08%	97.23%	2.77%	30,859	16,784	47,442
1985	88.49%	7.60%	95.99%	4.01%	4,777	2,554	7,331
1986	85.85%	8.74%	95.59%	4.41%	2,290	1,023	3,283
1987	82.74%	11.84%	94.68%	5.32%	10,404	4,602	15,126
1988	78.62%	14.58%	93.20%	6.80%	445,218	207,846	652,864
1989	72.57%	17.40%	89.97%	10.03%	259,485	148,577	409,062
1990	63.67%	21.60%	85.27%	14.73%	1,154,448	787,288	1,941,717
1991	49.50%	26.60%	76.10%	23.80%	540,229	485,394	1,025,624
1992	23.48%	34.84%	58.30%	41.70%	243,884	292,025	536,009
Total					2,805,283	1,954,591	4,859,854

Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for Virginia.
- (5) If Column (2) > 0%, then (2) x Exhibit (2), Column (5) / Exhibit (2), Column (2).  
If Column (2) = 0%, then 8/30/93 Case Reserve.

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Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	48,512	0	48,512
1973	100.00%	0.00%	100.00%	0.00%	0	0	0
1974	100.00%	0.00%	100.00%	0.00%	42,860	0	42,860
1976	100.00%	0.00%	100.00%	0.00%	0	0	0
1976	100.00%	0.00%	100.00%	0.00%	20,000	0	20,000
1977	100.00%	0.00%	100.00%	0.00%	30,000	0	30,000
1978	100.00%	0.00%	100.00%	0.00%	0	0	0
1979	100.00%	0.00%	100.00%	0.00%	5,000	0	5,000
1980	99.92%	0.09%	100.00%	0.00%	23,605	0	23,605
1981	99.55%	0.40%	99.95%	0.05%	0	0	0
1982	98.74%	0.88%	99.70%	0.30%	16,000	4,688	19,688
1983	97.06%	2.01%	99.08%	0.92%	0	0	0
1984	94.02%	3.90%	97.92%	2.08%	23,600	12,633	36,233
1985	90.33%	6.28%	96.61%	3.39%	4,000	2,159	6,159
1986	87.17%	8.62%	95.79%	4.21%	2,000	977	2,977
1987	84.30%	10.84%	95.14%	4.87%	3,500	4,264	13,764
1988	80.88%	13.26%	93.94%	6.06%	401,910	185,049	586,959
1989	76.60%	15.89%	91.59%	8.41%	238,458	126,492	364,950
1990	68.12%	19.50%	87.62%	12.38%	1,042,210	661,670	1,703,880
1991	58.59%	24.10%	80.89%	19.32%	489,466	392,276	881,732
1992	38.48%	30.72%	67.20%	32.80%	215,132	228,098	444,830
1993	7.90%	18.12%	26.02%	73.98%	64,716	1,088,992	1,133,708
Total					2,679,959	2,687,898	5,366,857

Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for Virginia.  
 (5) Provided by Bell Atlantic.  
 (6) 1993 IBNR is for 1/2 of the accident period. From Exhibit 4, Item (5g).

Ball Atlantic  
C&P of Virginia

Exhibit 3

CALCULATION OF IBNR RESERVE  
AS OF 12/31/93

Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Estimated Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	48,512	0	48,512
1973	100.00%	0.00%	100.00%	0.00%	0	0	0
1974	100.00%	0.00%	100.00%	0.00%	42,860	0	42,860
1975	100.00%	0.00%	100.00%	0.00%	0	0	0
1976	100.00%	0.00%	100.00%	0.00%	20,000	0	20,000
1977	100.00%	0.00%	100.00%	0.00%	30,000	0	30,000
1978	100.00%	0.00%	100.00%	0.00%	0	0	0
1979	100.00%	0.00%	100.00%	0.00%	5,000	0	5,000
1980	100.00%	0.00%	100.00%	0.00%	0	0	0
1981	88.83%	0.17%	100.00%	0.00%	0	0	0
1982	88.26%	0.83%	89.89%	0.11%	9,844	1,719	11,563
1983	98.22%	1.28%	98.51%	0.49%	0	0	0
1984	95.87%	2.73%	98.60%	1.40%	16,541	8,483	25,024
1985	82.17%	5.06%	87.23%	2.77%	3,223	1,764	4,987
1986	88.48%	7.60%	85.89%	4.01%	1,740	930	2,671
1987	85.85%	9.74%	85.58%	4.41%	8,638	3,865	12,401
1988	82.74%	11.84%	84.68%	5.32%	364,802	162,453	527,065
1989	78.62%	14.58%	83.20%	8.80%	217,431	101,408	318,839
1990	72.67%	17.40%	89.87%	10.03%	829,972	538,070	1,468,042
1991	83.67%	21.80%	85.27%	14.73%	438,863	299,157	737,840
1992	49.50%	26.80%	76.10%	23.90%	188,280	167,372	353,651
1993	23.46%	34.84%	58.20%	41.70%	857,751	1,026,642	1,884,393
Total					3,180	2,308,862	5,490,838

Notes:

(1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for Virginia.

(5) If Column (2) > 0%, then (2) x Exhibit (2), Column (5) / Exhibit (2), Column (2).

If Column (2) = 0%, then 8/30/93 Case Reserve.

1993 = Exhibit 4, Item (5).

(6) 1993 = Exhibit 4, Item (5).

Bell Atlantic  
C&P of Virginia

Exhibit 4

## CALCULATION OF 1993 ACCIDENT YEAR EXPERIENCE

(1) Accident Year	(2) Payroll (00's)	(3) Outstanding @ 6/30/93	(4) Expected % Outstanding	(5) Implied Ultimate (3)/(4)
1988	3,211,000	404,910	13.26%	3,053,620
1989	3,381,000	238,458	15.99%	1,491,295
1990	3,373,000	1,042,210	19.50%	5,344,667
1991	3,354,000	489,456	24.10%	2,030,938
1992	3,362,000	215,132	30.72%	700,299
Total	16,681,000	2,390,166		12,620,818
(a) 5 Yr Avg	3,336,200	478,033		2,524,164
(b) 1993 Payroll				3,254,000
(c) 1993 Estimated Ultimate				2,461,971
Estimated Reserve @ 6/30/93				
(d) % Paid @ 6/30/93				7.90%
(e) Estimated Paid @ 6/30/93				97,278
(f) Case Outstanding @ 6/30/93				64,716
(g) IBNR @ 6/30/93				1,068,992
(h) Total Reserve @ 6/30/93				1,133,708
Estimated Reserve @ 12/31/93				
(i) % Paid @ 12/31/93				23.46%
(j) % Case Outstanding @ 12/31/93				34.84%
(k) Case Outstanding @ 12/31/93				857,751
(l) IBNR @ 12/31/93				1,026,642
(m) Total Reserve @ 12/31/93				1,884,393

## Notes:

- (2), (3), (5b), (5f) Provided by Bell Atlantic.  
 (4), (5d), (5i), (5j) Based upon a Tillinghast study of National Council on  
 Compensation Insurance data for Virginia.  
 (5c)  $(5a) \times (5b) \div (2a)$   
 (5e)  $(5c) \times (5d) \times 1/2$

- (5g)  $(5c) \times 1/2 - (5e) - (5f)$   
 (5h)  $(5f) + (5g)$   
 (5k)  $(5j) \times (5c)$   
 (5l)  $(5c) - (5i) \times (5c) - (5k)$   
 (5m)  $(5j) + (5k)$

Ball Atlanta  
C&P of Maryland

Exhibit 1

CALCULATION OF IBNR RESERVE  
AS OF 12/31/92

## Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Estimated Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	179,144	0	179,144
1973	100.00%	0.00%	100.00%	0.00%	5,449	0	5,449
1974	100.00%	0.00%	100.00%	0.00%	79,322	0	79,322
1975	100.00%	0.00%	100.00%	0.00%	430	0	430
1976	100.00%	0.00%	100.00%	0.00%	99,452	0	99,452
1977	99.83%	0.14%	99.97%	0.03%	308,802	85,743	372,545
1978	99.23%	0.36%	99.59%	0.41%	0	0	0
1979	98.34%	0.69%	99.03%	1.07%	453	822	1,276
1980	97.30%	0.92%	98.22%	1.78%	0	0	0
1981	95.53%	1.98%	97.48%	2.51%	448,093	571,273	1,017,388
1982	82.48%	4.40%	86.86%	3.14%	103,722	116,836	280,559
1983	88.39%	7.42%	95.81%	4.19%	283,223	159,933	443,156
1984	84.14%	9.72%	93.86%	6.14%	629,796	334,865	864,461
1985	80.83%	11.61%	92.24%	7.76%	247,067	165,137	412,204
1986	77.62%	12.92%	90.54%	9.46%	282,783	207,053	489,836
1987	74.09%	14.72%	88.81%	11.19%	471,285	358,268	829,551
1988	69.65%	16.71%	86.26%	13.74%	681,674	478,208	1,059,780
1989	63.53%	19.87%	83.40%	16.60%	1,017,474	850,029	1,867,503
1990	64.74%	24.07%	78.81%	21.19%	967,108	868,999	1,856,107
1991	40.85%	32.28%	73.13%	26.87%	500,508	418,626	917,135
1992	17.78%	40.95%	58.73%	41.27%	269,370	261,397	520,767
Total					8,440,058	4,854,888	11,285,044

## Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for Maryland.
- (5) If Column (2) > 0%, then (2) x Exhibit (2), Column (5) / Exhibit (2), Column (2).  
If Column (2) = 0%, then 6/30/93 Case Reserve.

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Exhibit 20-2-A

DEC 22 '95 10:32

Bell Atlantic  
C&P of Maryland

Exhibit 2

CALCULATION OF IBNR RESERVE  
AS OF 6/30/93

## Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	179,144	0	179,144
1973	100.00%	0.00%	100.00%	0.00%	5,449	0	5,449
1974	100.00%	0.00%	100.00%	0.00%	78,322	0	78,322
1975	100.00%	0.00%	100.00%	0.00%	430	0	430
1976	100.00%	0.00%	100.00%	0.00%	99,452	0	99,452
1977	99.92%	0.07%	99.99%	0.01%	163,401	32,872	188,273
1978	99.53%	0.25%	99.78%	0.22%	0	0	0
1979	98.78%	0.48%	99.26%	0.74%	385	589	934
1980	97.82%	0.78%	98.58%	1.43%	0	0	0
1981	98.42%	1.44%	97.86%	2.16%	327,742	498,199	815,941
1982	94.00%	3.18%	97.18%	2.83%	118,328	105,117	223,443
1983	90.43%	5.91%	96.34%	3.67%	226,580	139,894	365,480
1984	88.27%	8.57%	94.84%	5.17%	467,114	281,522	748,638
1985	82.38%	10.67%	93.05%	6.95%	228,957	147,900	374,857
1986	78.13%	12.27%	91.39%	8.61%	268,447	188,449	456,898
1987	75.86%	13.82%	89.68%	10.33%	442,470	330,672	773,042
1988	71.82%	15.72%	87.54%	12.47%	648,044	433,831	980,776
1989	66.54%	18.29%	84.83%	15.17%	938,588	776,004	1,713,372
1990	59.14%	21.97%	81.11%	18.90%	800,987	774,882	1,575,869
1991	47.80%	28.18%	75.97%	24.03%	438,880	372,681	809,451
1992	29.32%	38.82%	65.93%	34.07%	231,913	216,793	447,706
1993	2.54%	24.00%	26.55%	73.45%	30,499	1,435,298	1,495,796
Total					5,876,976	5,764,289	11,431,285

## Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for Maryland.  
 (5) Provided by Bell Atlantic.  
 (6) 1993 IBNR is for 1/2 of the accident period. From Exhibit 4, Item (6g).

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PAGE: 010

Exhibit 20-2-A

DEC 22 '95 10:33

Bell Atlantic  
C&P of Maryland

Exhibit 3

CALCULATION OF IBNR RESERVE  
AS OF 12/31/93

## Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 (3)	(5) Estimated Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	179,144	0	179,144
1973	100.00%	0.00%	100.00%	0.00%	6,449	0	5,449
1974	100.00%	0.00%	100.00%	0.00%	78,322	0	78,322
1975	100.00%	0.00%	100.00%	0.00%	430	0	430
1976	100.00%	0.00%	100.00%	0.00%	89,452	0	99,452
1977	100.00%	0.00%	100.00%	0.00%	0	0	0
1978	99.83%	0.14%	99.97%	0.03%	0	0	0
1979	99.23%	0.38%	99.61%	0.41%	277	316	592
1980	98.34%	0.69%	99.03%	1.07%	0	0	0
1981	97.30%	0.92%	98.22%	1.78%	209,391	405,126	614,516
1982	95.53%	1.86%	97.39%	2.51%	72,930	93,390	166,328
1983	92.48%	4.40%	96.88%	3.14%	187,949	119,854	287,803
1984	88.39%	7.42%	95.81%	4.18%	404,432	228,379	632,811
1985	84.14%	9.72%	93.86%	6.14%	200,847	130,663	337,509
1986	80.83%	11.81%	92.64%	7.78%	254,111	189,845	423,956
1987	77.82%	12.92%	90.74%	9.48%	413,656	302,877	716,532
1988	74.09%	14.72%	88.81%	11.18%	612,314	389,458	901,770
1989	68.55%	16.71%	85.26%	13.74%	865,862	703,670	1,569,240
1990	63.53%	19.87%	83.40%	16.60%	814,868	680,764	1,495,630
1991	54.74%	24.07%	78.81%	21.19%	373,211	328,558	701,767
1992	40.85%	32.28%	73.13%	26.87%	204,456	170,190	374,646
1993	17.78%	40.85%	58.63%	41.27%	1,257,018	1,286,841	2,523,859
Total					6,109,918	4,888,839	11,098,755

## Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for Maryland.
- (5) If Column (2) > 0%, then (2) x Exhibit (2), Column (5) / Exhibit (2), Column (2).  
If Column (2) = 0%, then 8/30/93 Case Reserve.  
1993 = Exhibit 4, Item (5).
- (6) 1993 = Exhibit 4, Item (5k).

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Exhibit 20-2-A

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Bell Atlantic  
C&P of Maryland

Exhibit 4

# CALCULATION OF 1993 ACCIDENT YEAR EXPERIENCE

(1) Accident Year	(2) Payroll (00's)	(3) Outstanding @ 6/30/93	(4) Expected % Outstanding	(5) Implied Ultimate (3)/(4)
1988	3,895,000	546,944	15.72%	3,480,395
1989	4,047,000	936,568	18.29%	5,120,656
1990	3,925,000	900,987	21.97%	4,100,988
1991	3,907,000	436,860	28.18%	1,550,524
1992	3,934,000	231,913	36.62%	633,382
Total	19,708,000	3,063,272		14,885,944
(a) 5 Yr Avg	3,941,600	610,654		2,977,189
(b) 1993 Payroll				4,064,000
(c) 1993 Estimated Ultimate				3,069,641
Estimated Reserve @ 6/30/93				
(d) % Paid @ 6/30/93				2.54%
(e) Estimated Paid @ 6/30/93				39,025
(f) Case Outstanding @ 6/30/93				30,499
(g) IBNR @ 6/30/93				1,485,296
(h) Total Reserve @ 6/30/93				1,485,795
Estimated Reserve @ 12/31/93				
(i) % Paid @ 12/31/93				17.78%
(j) % Case Outstanding @ 12/31/93				40.95%
(k) Case Outstanding @ 12/31/93				1,267,018
(l) IBNR @ 12/31/93				1,266,841
(m) Total Reserve @ 12/31/93				2,523,859

## Notes:

- (2), (3), (5b), (5f) Provided by Bell Atlantic.  
 (4), (5d), (5i), (5j) Based upon a Tillinghast study of National Council on  
 Compensation Insurance data for Maryland.  
 (5c) (5a) x (5b) / (2a).  
 (5e) (5c) x (5d) x 1/2.

- (5g) (5c) x 1/2 - (5e) - (5f).  
 (5h) (5f) + (5g).  
 (5k) (5j) x (5c).  
 (5l) (5c) - (5i) x (5c) - (5k).  
 (5m) (5j) + (5k).

Ball Adair  
C&P of West Virginia

Exhibit 1

CALCULATION OF IBNR RESERVE  
AS OF 12/31/82

## Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Estimated Case Outstanding	(6) IBNR Reserve (4) x (5) / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	60,102	0	60,102
1973	100.00%	0.00%	100.00%	0.00%	0	0	0
1974	100.00%	0.00%	100.00%	0.00%	0	0	0
1975	98.57%	0.43%	100.00%	0.00%	0	0	0
1976	98.82%	1.18%	100.00%	0.00%	0	0	0
1977	97.80%	2.20%	100.00%	0.00%	378,802	0	378,802
1978	96.58%	3.42%	100.00%	0.00%	0	0	0
1979	95.19%	4.81%	100.00%	0.00%	502,744	0	502,744
1980	93.71%	6.01%	99.72%	0.28%	1,626,859	75,738	1,701,397
1981	92.19%	6.89%	99.08%	0.92%	0	0	0
1982	90.88%	7.61%	98.49%	1.81%	0	0	0
1983	88.24%	7.82%	97.16%	2.84%	819,368	283,810	1,113,198
1984	87.83%	8.18%	96.09%	3.91%	0	0	0
1985	86.80%	8.30%	85.10%	4.80%	457,868	270,190	727,860
1986	85.00%	8.30%	84.30%	6.70%	0	0	0
1987	82.60%	10.70%	93.30%	6.70%	819,434	513,103	1,332,537
1988	79.40%	12.70%	92.10%	7.90%	0	0	0
1989	74.40%	15.80%	90.20%	9.80%	682,831	411,123	1,073,954
1990	66.20%	20.30%	86.50%	13.50%	0	0	0
1991	51.60%	27.10%	78.70%	21.30%	0	0	0
1992	23.80%	34.30%	58.10%	41.80%	965,902	1,179,921	2,145,822
Total					6,280,288	2,743,886	9,034,184

## Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for West Virginia.
- (5) If Column (2) > 0%, then (2) x Exhibit (2), Column (5) / Exhibit (2), Column (2).  
If Column (2) = 0%, then 6/30/93 Case Reserve.



Bell Atlantic  
CAP of West Virginia

Exhibit 2

CALCULATION OF IBNR RESERVE  
AS OF 6/30/93

Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Case Outstanding	(6) IBNR Reserve (4) x (5) / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	60,102	0	60,102
1973	100.00%	0.00%	100.00%	0.00%	0	0	0
1974	100.00%	0.00%	100.00%	0.00%	0	0	0
1976	98.83%	0.17%	100.00%	0.00%	0	0	0
1978	98.23%	0.77%	100.00%	0.00%	0	0	0
1977	96.34%	1.66%	100.00%	0.00%	284,183	0	284,183
1978	97.21%	2.79%	100.00%	0.00%	0	0	0
1978	86.80%	4.10%	100.00%	0.00%	428,534	0	428,534
1980	84.48%	5.45%	99.91%	0.09%	1,474,183	24,344	1,498,527
1981	92.95%	6.49%	99.44%	0.56%	0	0	0
1982	91.43%	7.23%	98.66%	1.34%	0	0	0
1983	88.85%	7.74%	97.88%	2.31%	800,736	238,979	1,039,715
1984	88.57%	8.05%	98.82%	3.38%	0	0	0
1985	87.34%	8.24%	95.68%	4.42%	454,381	243,723	698,084
1986	85.84%	8.77%	94.71%	5.29%	0	0	0
1987	83.89%	9.83%	93.82%	6.18%	780,465	473,280	1,233,745
1988	81.14%	11.81%	92.75%	7.26%	0	0	0
1989	77.23%	14.06%	91.28%	8.72%	588,416	365,815	955,231
1990	70.73%	18.00%	88.73%	11.27%	0	0	0
1991	60.47%	22.88%	83.16%	16.84%	0	0	0
1992	38.35%	33.76%	72.11%	27.89%	950,895	785,383	1,736,088
1993	7.44%	18.84%	24.08%	75.92%	0	730,031	730,031
Total					5,802,855	2,861,588	8,664,221

Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for West Virginia.  
 (5) Provided by Bell Atlantic.  
 (6) 1993 IBNR is for 1/2 of the accident period. From Exhibit 4, Item (5g).

Ballentine  
CAP of West Virginia

Exhibit 3

CALCULATION OF IBNR RESERVE  
AS OF 12/31/93

Workers Compensation

Year	(1) Expected % Paid	(2) Expected % Outstanding	(3) Expected % Reported (1) + (2)	(4) Expected IBNR % 1.00 - (3)	(5) Estimated Case Outstanding	(6) IBNR Reserve [(4) x (5)] / (2)	(7) Total Reserve (5) + (6)
Prior	100.00%	0.00%	100.00%	0.00%	80,102	0	80,102
1973	100.00%	0.00%	100.00%	0.00%	0	0	0
1974	100.00%	0.00%	100.00%	0.00%	0	0	0
1975	100.00%	0.00%	100.00%	0.00%	0	0	0
1976	99.57%	0.43%	100.00%	0.00%	0	0	0
1977	98.82%	1.18%	100.00%	0.00%	201,995	0	201,995
1978	97.80%	2.20%	100.00%	0.00%	0	0	0
1979	96.58%	3.42%	100.00%	0.00%	357,460	0	357,460
1980	95.19%	4.81%	100.00%	0.00%	1,301,088	0	1,301,088
1981	93.71%	6.01%	99.72%	0.28%	0	0	0
1982	92.19%	6.89%	99.08%	0.92%	0	0	0
1983	90.68%	7.51%	98.19%	1.81%	778,942	187,252	964,194
1984	89.24%	7.92%	97.16%	2.84%	0	0	0
1985	87.93%	8.16%	96.09%	3.91%	448,950	215,801	665,651
1986	86.80%	8.30%	95.10%	4.90%	0	0	0
1987	86.00%	8.30%	94.30%	5.70%	712,218	438,521	1,148,739
1988	82.60%	10.70%	93.30%	6.70%	0	0	0
1989	79.40%	12.70%	92.10%	7.90%	632,782	331,415	864,197
1990	74.40%	15.80%	90.20%	9.80%	0	0	0
1991	66.20%	20.30%	86.50%	13.50%	0	0	0
1992	51.60%	27.10%	78.70%	21.30%	783,147	589,810	1,362,963
1993	23.80%	34.30%	58.10%	41.80%	641,058	660,940	1,201,895
Total					6,688,719	2,431,545	8,128,264

Notes:

- (1), (2) Based upon a Tillinghast study of National Council on Compensation Insurance data for West Virginia.
- (5) If Column (2) > 0%, then (2) x Exhibit (2), Column (5) / Exhibit (2), Column (2).  
If Column (2) = 0%, then 6/30/93 Case Reserve.
- 1993 = Exhibit 4, Item (5).
- (6) 1993 = Exhibit 4, Item (5).

Confidential Draft -- For Discussion Purposes Only: This draft is intended for discussion purposes only and should not be distributed to any third party, or published in whole or in part in any form, without prior written

approval of Tillinghast.

Exhibit 20-2-A

Bell Atlantic  
CSP of West Virginia

Exhibit 4

# CALCULATION OF 1993 ACCIDENT YEAR EXPERIENCE

(1) Accident Year	(2) Payroll (00's)	(3) Outstanding @ 6/30/93	(4) Expected % Outstanding	(5) Implied Ultimate (3)/(4)
1988	1,039,000	0	11.61%	0
1989	1,132,000	589,416	14.05%	4,195,132
1990	1,151,000	0	18.00%	0
1991	1,177,000	0	22.69%	0
1992	1,208,000	950,695	33.76%	2,816,040
Total	5,707,000	1,540,111		7,011,171
(a) 5 Yr Avg	1,141,400	308,022		1,402,234
(b) 1993 Payroll				1,284,000
(c) 1993 Estimated Ultimate				1,577,421
Estimated Reserve @ 6/30/93				
(d) % Paid @ 6/30/93				7.44%
(e) Estimated Paid @ 6/30/93				58,680
(f) Case Outstanding @ 6/30/93				0
(g) IBNR @ 6/30/93				730,031
(h) Total Reserve @ 6/30/93				730,031
Estimated Reserve @ 12/31/93				
(i) % Paid @ 12/31/93				23.80%
(j) % Case Outstanding @ 12/31/93				34.30%
(k) Case Outstanding @ 12/31/93				541,056
(l) IBNR @ 12/31/93				660,940
(m) Total Reserve @ 12/31/93				1,201,995

## Notes:

(2), (3), (5b), (5f) Provided by Bell Atlantic.  
 (4), (5d), (5i), (5j) Based upon a Tillinghast study of National Council on  
 Compensation Insurance data for West Virginia.  
 (5c) (5a) x (5b) / (2a).  
 (5e) (5c) x (5d) x 1/2.

(5g) (5c) x 1/2 - (5e) - (5f).  
 (5h) (5f) + (5g)  
 (5k) (5j) x (5c).  
 (5l) (5c) - (5i) x (5c) - (5k).  
 (5m) (5j) + (5k)

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# *Tillinghast*

*A Towers Perrin Company*

January 2, 1995

Mr. Don Rusie  
Manager - Benefits Accounting  
and  
Mr. Tom Bausch  
Manager - External Affairs  
Bell Atlantic Corp  
1717 Arch Street  
Philadelphia, PA 19103

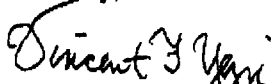
Dear Don and Tom:

You requested our permission to send the FCC a copy of our draft report dated October, 1993 documenting our actuarial review of Bell Atlantic's self-insured workers compensation losses. This letter gives you permission to do so. Please note that by accepting the report, the FCC must agree to the following:

- This report was prepared for the purpose of projecting Bell Atlantic's self-insured workers compensation losses and is not intended nor necessarily suitable for any other purpose.
- They are aware that Tillinghast is available to answer any questions concerning the material, and can be contacted through Bell Atlantic.
- They acknowledge that while data and information underlying our analysis was represented to us to be accurate, Tillinghast has made no audit of this information.
- Lastly, they agree to no reliance on the report which would result in the creation of a duty or liability by Tillinghast to them.

Please enclose a copy of this letter when you distribute the report to the FCC.

Sincerely,

  
Vincent F. Yezi, MAAA  
Consulting Actuary

cc: Jerry Mingione, Towers Perrin

Direct Dial: 215-246-6659

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**Bell Atlantic  
Long Term Disability Trust Contributions  
1985-1994**

<u>Plan Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Total</u>
1994	\$1,224,971	\$1,170,424	\$2,395,395
1993	1,019,465	1,020,125	2,039,590
1992	889,375	875,108	1,764,483
1991	848,644	798,316	1,646,960
1990	826,412	693,747	1,520,159
1989	637,093	542,164	1,179,257
7/88-12/88*	311,657	286,618	598,275
7/87 - 6/88*	-	876,676	876,676
7/86 - 6/87*	-	802,837	802,837
7/85 - 6/86*	\$149,683	\$451,727	\$601,410

\* Prior to 1989, Company Trust records were kept on a fiscal year basis. Therefore, calendar year trust contributions (for the years 1985 through 1988) is not available.

**Analysis of Impact of  
SFAS 112 on the GNP-PI**

October 12, 1994

## I. Summary

By the end of 1994, Bell Atlantic will have recognized significant liabilities on its balance sheet as a result of the Statement of Financial Accounting Standards No. 112 ("SFAS 112") issued by the Financial Accounting Standards Board ("FASB").

Bell Atlantic has asked Towers Perrin to determine what percentage, if any, of the additional costs incurred by Bell Atlantic as a result of the adoption of SFAS 112 will be reflected in the GNP-PI and what percentage will not be so reflected.

SFAS 112 will require affected firms to recognize a large initial liability in the year that the new standard is adopted. This initial liability will be many times larger than the amount that the SFAS 112 expense will exceed "pay as you go" expense on an ongoing basis. The analysis discussed in this report indicates that there will be no impact on the GNP-PI due to the recognition of the initial SFAS 112 liability and that the ultimate impact of ongoing SFAS 112 costs on the GNP-PI will likely be much smaller than the impact of SFAS 106 on the GNP-PI.

The remainder of this document addresses both the impact of the adoption of SFAS 112 on firms in the economy and whether there will be any material impact of SFAS 112 on the GNP-PI.

## II. Impact of SFAS 112 on Firms' Costs

SFAS 112 requires firms subject to Generally Accepted Accounting Principles ("GAAP") to account for certain post-employment benefits under either SFAS 5 ("Accounting for Contingencies") or SFAS 43 ("Accounting for Compensated Absences"). Prior to SFAS 112 most firms accounted for these benefits on a "pay as you go" basis.

Most of the liability recognized by firms under SFAS 112 arises from the following post-employment benefits:

- Self-insured Workers Compensation Benefits ("Workers Compensation")
- Self-insured Long-Term Disability Benefits ("LTD")
- Service-Related Severance Benefits ("Severance")

SFAS 112 requires that liabilities for both the Workers Compensation and LTD benefits now be accounted for in accordance with rules outlined in SFAS 5, while liabilities for severance benefits be accounted for in accordance with SFAS 43.

SFAS 5 requires that an initial liability be booked equal to the present value of all future benefits for employees currently receiving LTD or Workers Compensation benefits. Each year thereafter, an expense is recognized equal to the increase in this present value (an increase will occur if the level of benefits increases and/or the number of benefit recipients grows) plus the benefits actually paid (the "pay as you go" cost). Thus, the main impact of SFAS 112 with respect to Workers Compensation and LTD benefits will be a very large increase in expense in the year of adoption. As long as the group of beneficiaries is growing and/or benefit levels increase, there will also be modest increases relative to "pay as you go" accounting in future years. There will be no increase in ongoing costs in the event of fixed benefit levels and a fully mature beneficiary population. Therefore, firms, can in general, expect a significant increase in first year costs and unchanged, or only slightly higher ongoing costs as a result of SFAS 112 for these benefits.

SFAS 43, unlike SFAS 5, requires that liabilities for benefits like those provided in a service-related severance plan be recognized during the active working lifetime of each employee. However, the accounting treatment is similar to SFAS 5 in that a large initial liability is booked representing the present value of future severance benefits already accrued by active employees. As with SFAS 5, the ongoing expense for these benefits is equal to the increase in the present value of accrued severance benefits plus benefits actually paid (the "pay as you go" cost). For such benefits the impact of SFAS 112 relative to "pay as you go" accounting will also be significant in the initial year and much less on an ongoing basis.



### III. Impact of SFAS 112 on the GNP-PI

If the introduction of SFAS 112 is to increase the national price level (GNP-PI), then it must do so by affecting the pricing or the production behavior of firms in the economy. In general, firms will choose levels of output and set prices by equating marginal cost and marginal revenue. The demand curves facing firms will be unaffected by SFAS 112, and therefore there will be no impact of SFAS 112 on marginal revenue. Where SFAS 112 could potentially have an effect on firms is on the cost of production. If recognition of costs required by SFAS 112 corresponds to an actual increase in costs, the question must be asked how SFAS 112 affects the marginal cost of production. The answer depends on whether costs are related to past production or to current production. These two distinct cases are discussed below:

#### Costs Related to Past Production

When a firm adopts SFAS 112 it will have to immediately book costs based on the past service of employees. For benefits to be recognized under SFAS 5 (i.e., Workers Compensation, LTD, etc.) the liabilities booked will be the present value of benefits to be paid to employees who have ceased to work (i.e., those who are already out on LTD or Workers Compensation). For benefits to be recognized under SFAS 43 (i.e., service related severance benefits etc.), liabilities will be booked for both the current employees of the firm, as well as for benefits yet to be paid to former employees. However, the liabilities for current employees will be entirely attributable to service already rendered to the firm. These costs are sunk costs to the firm. They are costs related to production that took place in the past and not at all related to the current level of production. Because such costs are not related to current production they have no effect on the marginal cost of production. Since these costs have no effect on either the marginal cost of production or marginal revenue, they do not affect the firm's optimal choice of output